

For all members employed before July 1, 2008

Investment Earnings Increase Retirement Benefits

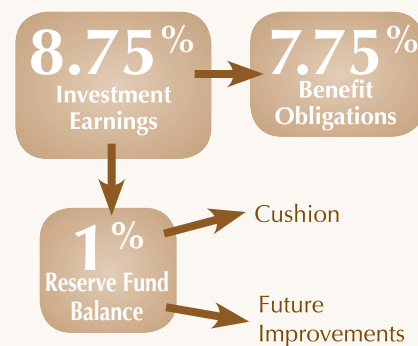
Retirement benefit checks will be a little larger for all SDRS members employed prior to July 1, 2008, thanks to action taken by the SDRS Board of Trustees and the state Legislature.

Following several years of investment returns exceeding expectations, the Board recommended an increase in the multiplier used to calculate retirement benefits. The measure was passed by the South Dakota Legislature during its 2008 session and signed into law by Governor Mike Rounds. Retired members see the result of the improvement in their benefit checks starting in July.

Just how much money will the new multiplier add to a retirement benefit? Because other factors in the formula vary person to person, the amount that the new multiplier increases a member's retirement benefit also varies. Members can check their new amounts by logging on to the *My SDRS* section of the SDRS Web site, www.sdrs.sd.gov, and using the benefit calculator.

As an example, consider a member who has worked 30 years with a final average salary of \$40,000. Prior to the improvement, she was looking forward to a monthly benefit

of \$1,612.50. The improvement will raise her check to \$1,700, an additional \$87.50 each month.



If investment returns exceed 7.75 percent, the additional earnings are placed in the SDRS trust fund to use as a cushion in years of low earnings and to pay for future benefit improvements.

Improvement adds dollars to monthly checks



Before the benefit increase, a member who retired July 1, 2007 used the formula
 $1.625\% \times \$40,000$ (final average compensation)
 $\times 25$ (years of credited service before July 1, 2002)

Plus

$1.55\% \times \$40,000$ (final average compensation)
 $\times 5$ (years of credited service after July 1, 2002)
 to calculate a monthly benefit of

\$1,612.50

After the benefit improvement, she uses the formula

$1.7\% \times \$40,000$ (final average compensation)
 $\times 30$ (years of credited service) to calculate her benefit as

\$1,700.00

Why SDRS can afford a benefit improvement

Benefits are paid from employee and employer contributions to SDRS and from returns earned on investing those contributions. To pay the benefits that SDRS promises to both active and retired members, investment earnings must be at least 7.75 percent. If investment returns exceed 7.75 percent, the additional earnings are placed in the SDRS reserve fund.

The reserve fund has two purposes: to cover benefit obligations in years when investment earnings fall below 7.75 percent and to build a reserve that will pay for benefit improvements. Because of the excellent performance of SDRS' investments in the past few years, there is

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Worry-free supplemental retirement income

SDRS Offers New Pension Benefit Program

SDRS retirees who want the security of additional, guaranteed income without the worry of withdrawals or managing investments have a new option: the SDRS Supplemental Pension Benefit, a program through which retired members can acquire monthly payments guaranteed for life.

Complementary to the SDRS Retirement Benefit, the Supplemental Pension Benefit (SPB) is a method for distributing funds from either a Supplemental Retirement Plan (SRP) or a Special Pay Plan (SPP) account. Using any amount of funds from either or both of these accounts, a retired member can purchase the benefit for as little as \$10,000 at any time, except when he or she has returned to work for an SDRS employer. Just like a normal SDRS retirement benefit, an SPB receives a cost-of-living adjustment (COLA) of 3.1 percent annually and provides survivor benefits to spouses of members married at the time of purchase.

How much are monthly payments?

Monthly payments are based on

- the initial purchase price of the pension benefit
- a member's age and marital status at time of purchase
- actuarial calculations of expected investment earnings

Some factors may differ member to member. SDRS has installed a pension benefit calculator on the Web site, making it easy for members to figure monthly payments for different purchase prices.

No matter how much a member invests in an SPB, he or she is assured of receiving the resulting monthly payment, increasing by an annual COLA of 3.1 percent, for life.

Even if a retired member decides to return to work, SPB payments continue. Because it is not earned income, SPB payments do not count toward the income limit for receiving Social Security benefits. Since an SPB can be purchased only with funds from an SRP or SPP, the purchase transaction is considered a roll-over and is exempt



The SDRS Supplemental Pension Benefit program offers retirees additional income guaranteed for life without the worry of managing investments and withdrawals.


from taxation. Yearly SPB payments are taxed, as would be any distribution from an SRP or SPP.

Should a member fail to receive benefits equivalent to the purchase price and leave no surviving spouse, the remainder of his or her purchase price is distributed through his or her estate.

Authorized Agents' role in the SPB program

All arrangements for purchasing an SPB are made directly through SDRS. An autho-

rized agent should be knowledgeable about the program, able to answer members' questions, but should direct members interested in purchasing a supplemental pension benefit to the SDRS office: 1-800-605-SDRS, or 605-773-3731.

After the calculator is installed, authorized agents may help members interested in the SPB figure out their optimum purchase price by visiting the Web site, www.sdrs.sd.gov 

THE WAY IT WORKS

The Benefit Formula

The amount of monthly retirement benefit a member receives is determined by a set formula. There are three factors to the formula:

- a member's years of credited service
- a member's final average compensation
- a standard multiplier

Years of credited service refers to the period of time during which a member made contributions to SDRS. Credited service that was purchased by the member for qualifying employment, such as out-of-state public service, is included.

Final average compensation is a member's highest average annual salary over 12 consecutive quarters. The 12 consecutive quarters must fall within the last 40 quarters of his or her SDRS membership.


The same multiplier is used for all participants within a membership class. Since Class B members are expected to have fewer years of credited service than Class A members, their contribution rates are higher and their formula multipliers are larger.

2008 Improvement Simplifies Formulas

Since benefit improvements are funded with investment earnings occurring within defined dates, past formulas have included multipliers that apply only to service credited prior to July 1, 2002. However, the recent benefit improvement applies to all service credited before July 1, 2008, alleviating the need to distinguish any other period of service. All Class A members' service credited through June 30, 2008 uses the multiplier of 1.7%. This year's adjustments to Class B multipliers result in a similar increase in benefits.

For service credited after June 30, 2008 the benefit formula will use the previous multipliers, 1.55% for Class A members.


Two Ways to Calculate Benefits

Using an improved multiplier for all service prior to July 1, 2008 simplifies benefit calculations. However, SDRS still calculates benefits two ways, using either the standard formula or the alternate formula. To determine a member's benefit payment, SDRS selects the formula that results in the larger payment. The goal of SDRS is that the resulting amount, when combined with the member's Social Security benefit, will equal 70 to 85 percent of a career member's pre-retirement income. 

Investment Earnings Fatten Retirement Benefits

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now sufficient money in the trust fund for both purposes.

Since SDRS uses money that is already in the trust fund to pay for improvements, the multiplier will revert back to its previous level (1.55 percent for Class A members) for work credited after June 30, 2008. If investment returns in the coming years continue to be above expectation, the Board would consider making another improvement for service performed after June 30 — but not until the reserve fund has again accumulated enough money to fulfill both of its purposes. 



Are your members moving?

Remind them to send their new addresses to

South Dakota Retirement System
P.O. Box 1098
Pierre, South Dakota 57501-1098

or by going to the Web page
<http://www.sdrs.sd.gov/contact/>



SDRS STATE-WIDE INDIVIDUAL COUNSELING SCHEDULE

SCHEDULE DATE	COUNTY	LOCATION	ADDRESS	DEADLINE TO SCHEDULE*
August 05, 2008	Brookings	Brookings, Brookings Days Inn	2500 E 6th Street	August 7, 2008
August 12, 2008	Spink	Redfield, Senior Center	728 Main Street	August 14, 2008
August 19, 2008	Clay	Vermillion, Holiday Inn Express	1200 N Dakota	August 21, 2008
September 02, 2008	Marshall	Britton, Community Building	909 S Main	August 28, 2008
September 09, 2008	Bennett, Haakon, Jackson, Jones	Kadoka, Fire Hall	102 Main St	September 18, 2008
September 16, 2008	Harding, Butte	Belle Fourche, Community Center	1111 National St	September 11, 2008
September 23, 2008	Yankton	Yankton, Kelly Inn	1607 E Hwy 50	September 04, 2008
September 30, 2008	Turner	Parker, Community Building	299 N Main	September 25, 2008
October 07, 2008	Union	Elk Point, Community Room	209 E Main	October 2, 2008
October 21, 2008	Kingsbury, Lake, Miner	Madison, Carl Mundt Library	8th and Egan	October 16, 2008
November 05, 2008	Hand, Hyde	Miller, American State Bank	131 N Broadway	October 30, 2008
November 18, 2008	Campbell, Walworth	Mobridge, Wrangler Inn	820 W Grand Crossing	November 13, 2008
December 02, 2008	Lawrence	Spearfish, Holiday Inn	I-90, Exit 14	November 26, 2008

*Individual retirement counseling sessions must be scheduled before noon on this date.

July 29 - December 2, 2008 – Members can register for a workshop via the Web page
<http://www.sdrs.sd.gov/schedule/regional.aspx>

MANAGING RETIREMENT INCOME WORKSHOPS

SCHEDULE DATE	DESCRIPTION	LOCATION	ADDRESS
Oct 14 2008	Small group workshop-30 participants	Lead, Spearfish Canyon Lodge	10619 Roughlock Falls Road
Dec 9 2008	Small group workshop-30 participants	Pierre, Ramkota Hotel	920 W Sioux Ave

Managing Retirement Income offers members hands-on, small-group workshops that focus on assessing retirement income needs and identifying gaps in financial planning. Because enrollment is limited, members should be encouraged to register early.

SDRS Makes Electronic Reporting Simple

Authorized agents across the state save themselves time and trouble by filing contribution reports electronically. This streamlined method of reporting allows you to make reports as soon as you complete your payroll. There's no wait for forms from SDRS, no delays encountered in the mail.

If you've been reluctant to switch to electronic reporting, call the SDRS office and a staff member will walk you through the process step by step. Taking a few minutes to register now will save you hours in the months ahead

You can streamline your duties even more by making monthly contribution payments via automated clearing house (ACH). By moving funds from your employer's checking account to SDRS automatically, ACH eliminates the task of writing and mailing checks. SDRS will also help you set up making contribution payments via ACH.

Electronic reporting will become mandatory in 2009. 

